

TESTIMONY OF CHARLES C. MADDOX, ESQ.,
INSPECTOR GENERAL, BEFORE THE D.C. COUNCIL
COMMITTEE ON GOVERNMENT OPERATIONS

FISCAL YEAR 1999 PERFORMANCE REVIEW

FEBRUARY 25, 2000

CHAIRPERSON PATTERSON AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO TESTIFY BEFORE THIS COMMITTEE TODAY CONCERNING OUR PERFORMANCE REPORT FOR FISCAL YEAR 1999. YOU HAVE ASKED ME TO DESCRIBE THE OFFICE'S ACCOMPLISHMENTS IN FISCAL YEAR (FY) 1999 AND THUS FAR IN FISCAL YEAR 2000.

FIRST, I WOULD LIKE TO COMMENT ON SOME CHANGES THAT I MADE TO OUR PERFORMANCE MEASURES THAT SHOULD MAKE OUR STATISTICS MORE USEFUL TO YOUR EVALUATION OF OUR OPERATIONS. I WILL THEN REVIEW THE STATISTICS USED IN THE PERFORMANCE MEASURES FOR FISCAL YEAR 1999 THAT WERE SUBMITTED TO YOU EARLIER THIS MONTH AS WELL AS OUR ACCOMPLISHMENTS THROUGH FISCAL YEAR 2000 TO DATE. FINALLY, I WOULD LIKE TO TALK BRIEFLY ABOUT INITIATIVES CURRENTLY UNDERWAY THAT I BELIEVE WILL RESULT IN SIGNIFICANT CHANGES FOR THE OFFICE DURING THE COMING FISCAL YEAR.

AS I NOTED IN A RECENT LETTER TO CHAIRPERSON PATTERSON, I HAVE MADE REVISIONS TO OUR PERFORMANCE REPORT THIS YEAR. I HAVE DONE THIS IN ORDER TO INCLUDE ADDITIONAL PERFORMANCE

MEASURES THAT CORRESPOND MORE CLOSELY TO OUR MISSION STATEMENT, WHICH HAS BEEN MODIFIED BY “THE OFFICE OF THE INSPECTOR GENERAL POWERS AND DUTIES AMENDMENT ACT OF 1999,” WHICH WAS RECENTLY PASSED BY THIS COUNCIL.

OUR MISSION STATEMENT HAS BEEN CHANGED FOR A NUMBER OF REASONS: FIRST, TO SHOW THAT, LIKE MANY FEDERAL IG OFFICES, WE ARE NOW USING AN INSPECTION STAFF TO COMPLEMENT THE WORK BEING DONE BY OUR INVESTIGATIONS AND AUDIT DIVISIONS; SECOND, TO ILLUSTRATE THAT PART OF OUR MANDATE IS NOT ONLY TO DETECT FRAUD, WASTE, AND ABUSE, BUT ALSO TO TAKE A PROACTIVE APPROACH BY RECOMMENDING POLICIES THAT WILL PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS; AND THIRD, TO DEVELOP A SYSTEM OF COMMUNICATIONS THAT WILL KEEP THE MAYOR, COUNCIL, AND DISTRICT GOVERNMENT AGENCY HEADS FULLY AND CURRENTLY INFORMED ABOUT PROBLEMS AND DEFICIENCIES RELATING TO THEIR PROGRAMS AND OPERATIONS.

WITH THOSE CHANGES IN MIND, I WILL PROVIDE YOU WITH OUR STATISTICAL ACCOMPLISHMENTS IN EACH OF OUR PERFORMANCE MEASURES. THE FIRST SET OF MEASURES PERTAINS TO OUR AUDIT DIVISION.

PERFORMANCE AUDIT REPORTS

OUR AUDIT REPORTS FALL INTO TWO CATEGORIES: 1) AUDITS CONDUCTED BY THE OIG WHICH ARE REQUIRED, DISCRETIONARY, OR PURSUANT TO SPECIAL REQUEST; AND 2) AUDITS CONDUCTED BY CONTRACT WITH EXTERNAL AUDITORS WHICH ARE REQUIRED, DISCRETIONARY, OR PURSUANT TO SPECIAL REQUESTS FROM DISTRICT MANAGEMENT. AUDITS THAT ARE CONDUCTED BY OIG AUDITORS ARE ACCOMPLISHED AT SIGNIFICANTLY LESS COST TO THE DISTRICT THAN EXTERNAL AUDITS, BECAUSE PROFIT AND PRIVATE SECTOR OVERHEAD ARE ELIMINATED. IN THIS CATEGORY, OUR FY 1999 PERFORMANCE TARGET WAS 25 REPORTS. THE ACTUAL NUMBER ISSUED WAS 28 REPORTS. SO FAR IN FY 2000, WE HAVE ISSUED 11 REPORTS, AND HAVE 12 AUDITS CURRENTLY IN PROCESS.

EXTERNAL AUDITS

THE FY 1999 PERFORMANCE TARGET FOR PROCURING CONTRACT AUDITS WAS 65; THE ACTUAL NUMBER OF CONTRACTS LET WAS 103. THE SUBSTANTIAL INCREASE HERE WAS DUE TO A NUMBER OF SPECIAL REQUESTS, MANY RELATED TO ANTICIPATED YEAR 2000 COMPUTER PROBLEMS. SO FAR IN FY 2000, FOUR CONTRACT AUDITS HAVE BEEN COMPLETED, AND WE HAVE 64 CONTRACT AUDITS THAT ARE PRESENTLY OPEN.

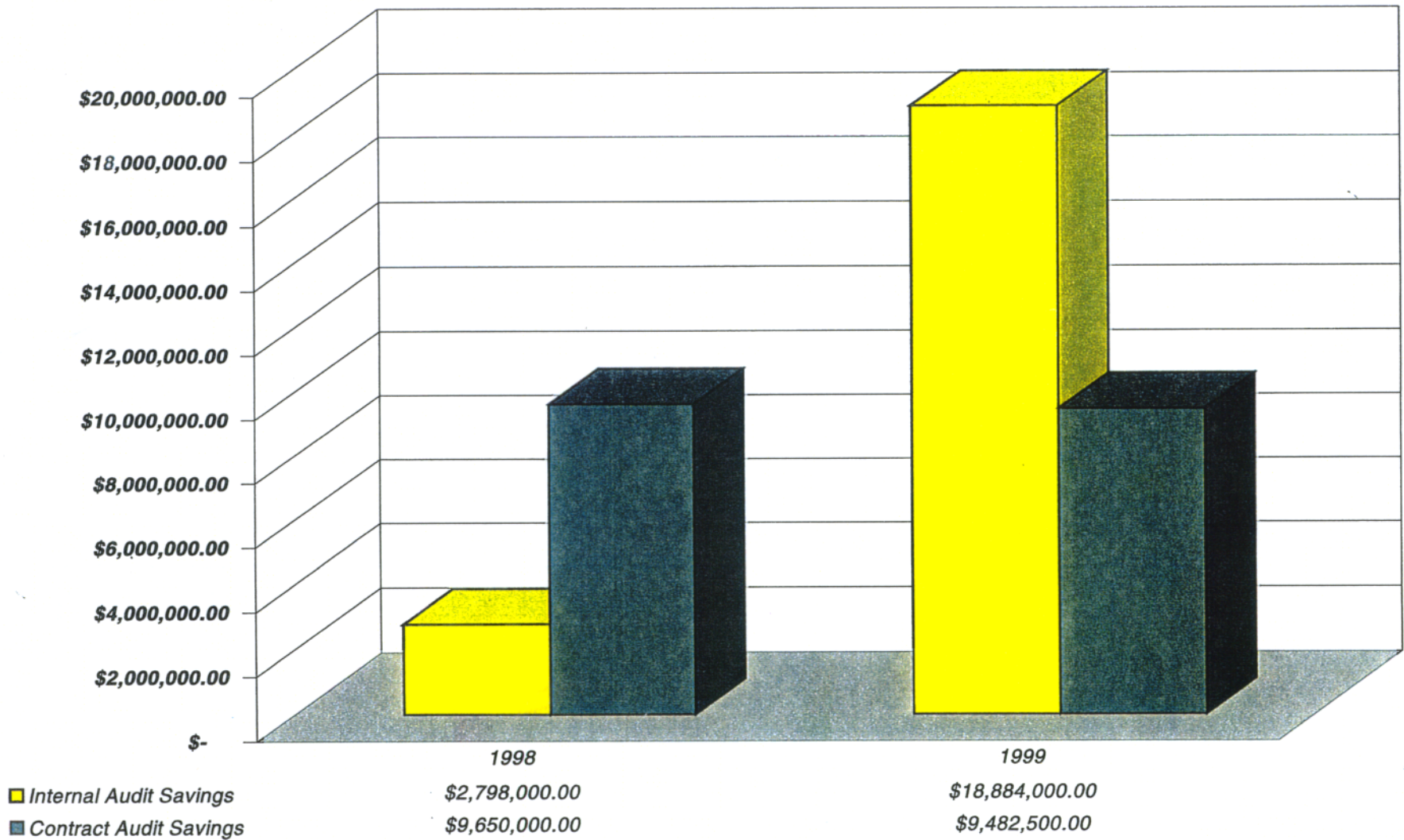
SAVINGS DUE TO AUDITS

THE FY 1998 SAVINGS FROM AUDITS WAS \$12.4 MILLION. OUR RATHER AMBITIOUS FY 1999 PERFORMANCE TARGET WAS \$30 MILLION. WE ACTUALLY REALIZED SAVINGS OF \$28.4 FOR FY 1999, MORE THAN DOUBLE THE SAVINGS OF THE PREVIOUS YEAR. SO FAR IN FY 2000, THE COST SAVINGS ATTRIBUTABLE TO AUDITS IS \$25.4 MILLION.

THESE ARE NOT ABSTRACT SAVINGS. MUCH OF THESE ARE MONIES THAT THE DISTRICT IS REALIZING RIGHT NOW. FOR EXAMPLE, AS A RESULT OF THE CASH MANAGEMENT REVIEW, THE FEDERAL GOVERNMENT REIMBURSED THE DISTRICT IN THE AMOUNT OF \$3.5 MILLION LAST NOVEMBER. THESE ARE MONIES THE DISTRICT WOULD NOT HAVE RECEIVED IF THE AUDIT IN THAT AREA HAD NOT BEEN DONE.

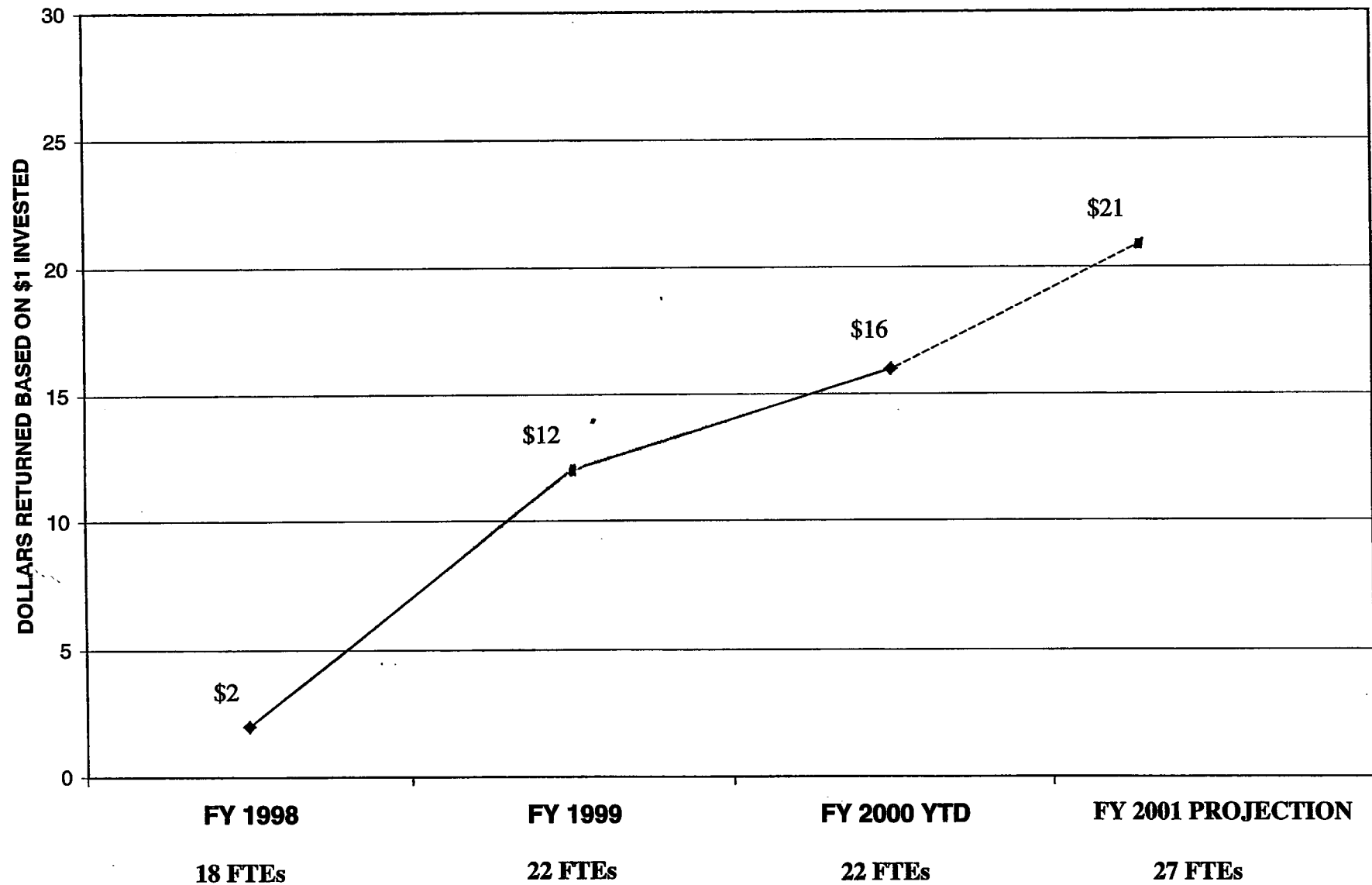
THE IMPROVEMENT IN THIS PERFORMANCE MEASURE IS QUITE REMARKABLE. DURING FY 99, THE AUDIT DIVISION ISSUED 28 REPORTS, WITH ASSOCIATED DOLLAR SAVINGS TO THE CITY OF \$18.9 MILLION (CONTRASTED WITH \$2.8 MILLION IN FY 1998). THESE NUMBERS ARE ILLUSTRATED BY THE YELLOW BARS ON THE ACCOMPANYING CHART. THE GREEN BARS REPRESENT SAVINGS DERIVED FROM EXTERNAL AUDITS.

SUMMARY OF MONETARY ACCOMPLISHMENTS FY 1998 VS FY 1999



THE IMPACT OF THESE SAVINGS BECOMES APPARENT WHEN MEASURED AGAINST THE AUDIT DIVISION'S OPERATIONAL COST. DURING FY 1999, WITH 22 FULL TIME EMPLOYEES (FTEs) AND AN OPERATIONAL COST OF \$1.6 MILLION, THE RESULTING RETURN ON INVESTMENT FOR AUDITS PERFORMED WAS APPROXIMATELY \$12 FOR EACH DOLLAR INVESTED. IN CONTRAST, FOR 1998, USING 18 FTEs, WE RETURNED TO THE DISTRICT TWO DOLLARS FOR EVERY DOLLAR SPENT CONDUCTING AUDITS. SO FAR IN FY 2000, WITH 22 FTEs, THE RETURN IS \$16 FOR EVERY ONE DOLLAR SPENT. IF WE HAD FIVE ADDITIONAL FTEs, I ESTIMATE THAT WE COULD INCREASE THE RETURN ON INVESTMENT TO \$21 FOR EVERY ONE DOLLAR SPENT. THE ACCOMPANYING LINE GRAPH SHOWS THE STEEP INCREASE IN RETURN AS FTEs ARE ADDED TO OUR AUDIT STAFF.

ANALYSIS OF RETURN ON INVESTMENT FY 1998 TO FY 2001



WE ATTRIBUTE OUR INCREASE IN DOLLAR SAVINGS TO OUR AUDIT PLANNING PROCESS, WHICH PLACES AN EMPHASIS ON SCHEDULING AUDITS WHICH WILL BEST IDENTIFY ECONOMIES AND EFFICIENCIES THAT CAN BE ACHIEVED IN CARRYING OUT DISTRICT GOVERNMENT OPERATIONS.

NEW PERFORMANCE MEASURES

WE ARE CURRENTLY IN THE PROCESS OF IMPLEMENTING AN AUDIT RECOMMENDATION TRACKING SYSTEM. IN THIS REGARD WE PLAN TO ADD A PERFORMANCE MEASURE IN FY 2001 ON THE PERCENTAGE OF AUDIT RECOMMENDATIONS IMPLEMENTED. WE STRONGLY BELIEVE THAT THIS WILL BE A VALID MEASURE OF OUR WORTH BECAUSE IT IS AN OUTCOME MEASURE. AUDIT FINDINGS AND RECOMMENDATIONS DO NOT PRODUCE THE DESIRED OUTCOMES UNLESS THEY ARE IMPLEMENTED.

THE NEXT SET OF MEASUREMENTS APPLIES TO THE INVESTIGATIONS DIVISION.

INVESTIGATIVE MATTERS ADDRESSED

THIS CATEGORY OF STATISTICS IS IMPORTANT BECAUSE IT REVEALS THE VOLUME OF COMPLAINTS AND ALLEGATIONS BROUGHT TO OUR ATTENTION. AT PRESENT, RESOURCES ARE AVAILABLE TO INVESTIGATE ONLY ABOUT ONE-THIRD OF THESE MATTERS. APPROXIMATELY ONE-HALF OF ALL COMPLAINTS, AFTER SCREENING AND ANALYSIS, MUST BE PLACED IN A HOLDING - OR "ZERO" - FILE. THIS

IS DONE IN SOME CASES BECAUSE OF THE VAGUE OR DE MINIMUS NATURE OF THE INITIAL COMPLAINT. IN OTHER CASES, WE ARE FORCED TO DEPRIORITIZE LESS SUBSTANTIAL MATTERS, SUCH AS THOSE THAT DO NOT CONSTITUTE CRIMINAL OR SERIOUS ADMINISTRATIVE INFRACTIONS, DUE TO LACK OF PERSONNEL RESOURCES. THE REST OF THE INCOMING COMPLAINTS, ABOUT 16%, ARE REFERRED TO THE AGENCIES WHERE THE PROBLEMS EXIST.

IT SHOULD BE UNDERSTOOD THAT A REFERRAL FROM US CONSISTS OF SPECIFIC ALLEGATIONS THAT ARE SENT TO AN AGENCY HEAD ALONG WITH A SET OF QUESTIONS AND A DEADLINE FOR REMEDIAL ACTION WHICH IS CLOSELY MONITORED BY THIS OFFICE.

OUR PERFORMANCE GOAL FOR FY 1999 WAS TO INCREASE OUR INTAKE CAPACITY SIGNIFICANTLY. WE ESTIMATED THAT WE WOULD RECEIVE COMPLAINTS INVOLVING 340 INVESTIGATIVE MATTERS. THE ACTUAL FIGURE WAS 670, AN INCREASE OF 97%. AS NOTED, THIS INCREASE IS EXTREMELY IMPORTANT TO US BECAUSE IT SHOWS THE EXTENT TO WHICH AGENCY HEADS, DISTRICT EMPLOYEES, AND RESIDENTS OF THE DISTRICT ARE BRINGING THEIR PROBLEMS TO US. SO FAR IN FISCAL YEAR 2000, THE INTAKE OF INVESTIGATIVE MATTERS IS 214.

INQUIRIES RECEIVED ON THE HOTLINE

THE INCREASE IN HOTLINE RESPONSE CONTRIBUTED

SUBSTANTIALLY TO THE LARGER NUMBER OF MATTERS ADDRESSED LAST YEAR. THE ANTICIPATED NUMBER OF CALLS FOR FY 1999 WAS 164 – WE ACTUALLY RECEIVED 358 CALLS. SO FAR IN THIS FISCAL YEAR, 99 CALLS HAVE BEEN RECEIVED.

WE WORKED HARD LAST YEAR TO PROMOTE THE HOTLINE. WE USED EVERY OPPORTUNITY TO ENCOURAGE PEOPLE ENCOUNTERED AT MEETINGS AND CONFERENCES TO CALL IN WITH COMPLAINTS. IN ADDITION TO OUR USUAL ADVERTISEMENTS ON DISTRICT FORMS AND ON OUR WEBSITE, WE POSTED BILLBOARDS IN SEVERAL METRO STATIONS. WE EVEN GAVE AWAY PENS INSCRIBED WITH THE HOTLINE NUMBER. APPARENTLY THESE TACTICS WORKED, GIVEN THE SUBSTANTIAL INCREASE IN THIS PERFORMANCE MEASURE.

INVESTIGATIONS CLOSED

AS YOU CAN SEE FROM THE TEXT ACCOMPANYING THE CHART THAT IS PART OF OUR PERFORMANCE REPORT, I HAVE MODIFIED THIS PERFORMANCE MEASURE BY BREAKING OUT THE NUMBER OF CASES THAT HAVE BEEN CLOSED AS A RESULT OF ACTIVE INVESTIGATION CONDUCTED BY OUR SPECIAL AGENTS. PREVIOUSLY, THIS CATEGORY INCLUDED CLOSED REFERRALS AND ZERO FILE MATTERS. I BELIEVE THAT THIS CATEGORY IS NOW MORE MEANINGFUL BECAUSE IT FOCUSES ON AND QUANTIFIES ONE OF THE MOST LABOR-INTENSIVE RESPONSIBILITIES OF THE INVESTIGATIONS DIVISION.

ONCE AGAIN, THIS IS A CATEGORY IN WHICH OUR NUMBERS ROUGHLY DOUBLED: WE CLOSED 98 INVESTIGATIONS IN FY 1998 AND 214 IN FY 1999. SO FAR IN FY 2000, WE HAVE CLOSED 76 CASES. IT IS IMPORTANT TO NOTE THAT MANY OF THESE CASES INVOLVE MONTHS OF INVESTIGATIVE WORK, AND OFTEN ARE REFERRED TO THE U.S. ATTORNEY FOR PROSECUTION, A PROCESS THAT CAN TAKE MANY MORE MONTHS.

DURING FY 1999, 16 INDIVIDUALS WERE CONVICTED OF CRIMINAL VIOLATIONS AS A RESULT OF OUR INVESTIGATIONS. A TOTAL OF OVER \$1 MILLION WAS RECOUPED THROUGH COURT-ORDERED RESTITUTIONS AND RECOVERIES. EVEN WHEN CRIMINAL ACTIVITY IS NOT PROVEN – AS IS OFTEN THE CASE – OUR INVESTIGATIONS OFTEN RESULT IN THE SUBSTANTIATION OF SERIOUS ADMINISTRATIVE VIOLATIONS.

INSPECTION REPORTS

A NEW PERFORMANCE MEASURE WAS CREATED TO TRACK THE OUTPUT OF OUR INSPECTIONS AND EVALUATIONS DIVISION, WHICH WAS CREATED LAST MAY IN ORDER TO ENABLE US TO CONDUCT BROAD-SCALE INSPECTIONS OF AGENCIES WITH CRITICAL SERVICE DELIVERY RESPONSIBILITIES. BECAUSE THE CYCLE FOR PLANNING, CONDUCTING, AND REPORTING THE INSPECTION OF AN AGENCY TAKES NEARLY FIVE MONTHS, WE DID NOT COMPLETE AN INSPECTION BEFORE THE CONCLUSION OF FY 1999. HOWEVER, FOR FY 2000, WE HAVE SUBMITTED REPORTS OF OUR SELF-INSPECTION AS WELL AS THE INSPECTION OF THE

DEPARTMENT OF MOTOR VEHICLES (DMV). OUR TEAM IS NOW AT THE DEPARTMENT OF HEALTH.

GIVEN THE PERSONNEL RESOURCES AVAILABLE TO US AT THIS TIME, WE WILL BE ABLE TO COMPLETE ONLY TWO MORE INSPECTIONS THIS FISCAL YEAR. AS YOU KNOW, MUCH ATTENTION WAS FOCUSED ON OUR DMV REPORT – BY THE MEDIA AS WELL AS BY THIS COUNCIL. I BELIEVE THAT THESE INSPECTIONS WILL BE VIEWED AS AN ESSENTIAL ELEMENT OF THE CITY’S STRATEGIC PLAN TO ESTABLISH AND ENFORCE PERFORMANCE MEASURES THROUGHOUT THE DISTRICT GOVERNMENT. FOR THIS REASON, I PLAN TO SEEK ADDITIONAL RESOURCES TO ENABLE US TO INSPECT MORE AGENCIES NEXT YEAR.

MANAGEMENT REPORTS

MY FINAL REVISION TO THE PERFORMANCE REPORT IS THE CREATION OF A NEW MEASURE TO TRACK THE ISSUANCE OF MANAGEMENT REPORTS – THAT IS, MANAGEMENT IMPLICATION REPORTS (MIRs), MANAGEMENT ALERT REPORTS (MARs), AND FRAUD ALERT REPORTS (FARS). THESE REPORTS, WHICH ARE USED TO COMMUNICATE DEFICIENCIES TO THE MAYOR, THE COUNCIL, AND AGENCY HEADS, TIE INTO THAT PART OF OUR MISSION STATEMENT THAT REQUIRES US TO RECOMMEND AND COORDINATE POLICIES DESIGNED TO PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS IN DISTRICT PROGRAMS AND OPERATIONS.

WE BEGAN ISSUING THESE TYPES OF MANAGEMENT REPORTS IN FY 1999, SHORTLY AFTER MY CONFIRMATION AS INSPECTOR GENERAL. THE SUBJECT MATTER OF THESE REPORTS VARIES WIDELY. EXAMPLES OF TOPICS INCLUDE: IMPROPERLY DRAFTED FORMS TO REPORT CONFIDENTIAL STATEMENTS OF EMPLOYMENT AND FINANCIAL INTEREST; FAILURE TO ACCOUNT FOR CELLULAR TELEPHONE USAGE; AND, MORE RECENTLY, WE LEARNED THAT SCHOOL BUS DRIVERS WERE ISSUED LICENSES WITHOUT THE REQUIRED FBI CRIMINAL BACKGROUND CHECKS BEING COMPLETED. WE ARE NOW LOOKING AT POTENTIAL HEALTH AND SAFETY ISSUES REGARDING THE WORKING CONDITIONS AT THE DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY. LAST YEAR WE ISSUED FOUR MANAGEMENT REPORTS. TO DATE FOR FY 2000, THE OFFICE HAS ISSUED NINE MARs, AND EIGHT MIRs.

RECENTLY, I SENT EACH MEMBER OF THE COUNCIL COPIES OF OUR ANNUAL REPORT FOR FY 1999. FOR YOUR CONVENIENCE, I HAVE PROVIDED ADDITIONAL COPIES FOR YOU TODAY. THIS REPORT SETS FORTH MANY ADDITIONAL CATEGORIES OF ACCOMPLISHMENTS FOR OUR OFFICE. I WILL MENTION ONLY A FEW HERE. IN OUR INVESTIGATIONS DIVISION, WE SAW RECOVERIES AND RESITITUTION GROW FROM \$353,661 IN FY 1998 TO MORE THAN \$1.8 MILLION IN 1999. THE NUMBER OF CASES REFERRED INCREASED FROM 42 IN FY 1998 TO 109 IN FY 1999. TWENTY-ONE REFERRED CASES WERE CLOSED IN FY 1998; 51 WERE CLOSED IN FY 1999.

OTHER INITIATIVES

BEFORE CONCLUDING, I WOULD LIKE TO PROVIDE YOU WITH AN UPDATE ON TWO INITIATIVES THAT WERE BEGUN LAST YEAR. FIRST, I AM PLEASED TO ANNOUNCE THE PROGRESS WE HAVE MADE IN MAKING INFORMATION ABOUT OUR ACTIVITIES AVAILABLE TO THE PUBLIC, NOT ONLY ON A TIMELY BASIS, BUT IN A USER-FRIENDLY FORMAT AS WELL. IN THE PAST, I KNOW THAT THERE HAS BEEN CONCERN ON THE PART OF SOME MEMBERS OF THIS COUNCIL THAT THE RESULTS OF OUR WORK WERE NOT ALWAYS READILY ACCESSIBLE TO THE PUBLIC. NOW, EVERY AUDIT REPORT AND THE RESULTS OF EVERY INSPECTION – INCLUDING THAT OF OUR OWN OFFICE – ARE PUT ON OUR WEBSITE, WWW.DCIG.ORG. THIS IS DONE SOON AFTER THE REPORTS ARE DISSEMINATED TO THE MAYOR, THE COUNCIL, AND THE CONTROL BOARD. SIMILARLY, OUR ANNUAL REPORT FOR FY 1999 HAS BEEN EXPANDED TO INCLUDE MORE STATISTICS, GRAPHICS, AND OTHER DETAILS OF OUR OPERATIONS. THIS TOO IS AVAILABLE ON THE WEBSITE.

I AM ALSO PLEASED TO REPORT PROGRESS IN THE CREATION OF A FEDERALLY CERTIFIED MEDICAID FRAUD CONTROL UNIT (MFCU). AS YOU KNOW, THESE UNITS ARE THE PRINCIPAL FORCE USED BY EACH STATE TO CONTROL FRAUD IN MEDICAID PROGRAMS. DESPITE THE FACT THAT APPROXIMATELY \$842 MILLION IN MEDICAID FUNDS WERE SPENT IN THE DISTRICT LAST YEAR, THIS IS ONE OF THE FEW JURISDICTIONS IN THE

NATION THAT HAS NOT HAD A FEDERALLY FUNDED MEDICAID FRAUD CONTROL UNIT.

THE DISTRICT HAS NOT HAD SUCH A UNIT SINCE 1983, WHEN THE PREVIOUS ONE WAS DECERTIFIED BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) FOR LACK OF PRODUCTIVITY. ASSUMING THAT THE DISTRICT'S FRAUD RATE IS AT LEAST EQUAL TO THE ESTIMATED NATIONAL AVERAGE OF 10%, THERE HAS BEEN A LOST OPPORTUNITY TO RECOVER APPROXIMATELY \$84 MILLION IN MEDICAID FUNDING EACH YEAR. TO MAKE MATTERS WORSE, WE HAVE FAILED TO RECEIVE FEDERAL SUBSIDIES – A SUM CAPPED AT 1 % OF THE TOTAL MEDICAID COST PER JURISDICTION EACH YEAR – TO ESTABLISH AND OPERATE A MFCU. THAT MEANS WE HAVE LOST THE OPPORTUNITY TO APPLY FOR FUNDING OF UP TO \$8 MILLION PER YEAR SINCE 1983.

WHILE RECOVERY OF LARGE SUMS OF MONEY LOST THROUGH FALSE CLAIMS IS SIGNIFICANT, IT IS VITALLY IMPORTANT TO POINT OUT ANOTHER, PERHAPS LESS WELL KNOWN FUNCTION OF THE UNIT – INVESTIGATIONS CONDUCTED TO REDRESS PATIENT ABUSE. ONE OF THE MOST IMPORTANT FUNCTIONS OF THE CONTROL UNIT WILL BE TO INVESTIGATE AND SEEK THE PROSECUTION OF MEDICAL PERSONNEL WHO INFLICT PHYSICAL OR MENTAL ABUSE ON MEDICAID PATIENTS UNDER THEIR CARE. RECENT HEADLINES CONCERNING THE QUALITY OF CARE OF SOME OF THE DISTRICT'S MOST VULNERABLE CITIZENS

UNDERScores THE NEED FOR THIS TYPE OF PROTECTION AS SOON AS POSSIBLE.

ON FEBRUARY 7, WE WERE INFORMED THAT OUR APPLICATION FOR CERTIFICATION HAD BEEN APPROVED BY HHS. WE SUBMITTED A BUDGET PROPOSAL IN THE AMOUNT OF \$1.6 MILLION TO GET THE UNIT STARTED FOR THE FIRST YEAR. THE PROPOSAL CALLS FOR A COMPLEMENT OF 15 FTEs, TO INCLUDE A DIRECTOR, AN ASSISTANT DIRECTOR, TWO PROSECUTORS, TWO AUDITORS, SIX INVESTIGATORS, AND THREE OTHER ADMINISTRATIVE POSITIONS. UNDER THE TERMS OF THE GRANT, 75 PERCENT OF THE COST OF RUNNING THIS UNIT WILL BE FUNDED BY THE FEDERAL GOVERNMENT, BEGINNING MARCH 1, 2000. THE REMAINING 25 PER CENT (\$368,550) REPRESENTS THE REQUIRED MATCH FROM DISTRICT FUNDS. FOR THE REMAINDER OF THIS FISCAL YEAR, WE HAVE OBTAINED THOSE FUNDS BY MEANS OF AN INTERAGENCY TRANSFER. FOR FY 2001, WE WILL ASK THAT THOSE FUNDS BE ADDED TO OUR BASELINE.

IN PREPARATION FOR THE STAFFING OF THIS UNIT, WE BEGAN AN INTENSIVE INSPECTION OF A KEY COMPONENT OF THE MEDICAL ASSISTANCE ADMINISTRATION (MAA). THIS IS AN AGENCY UNDER THE DEPARTMENT OF HEALTH THAT ADMINISTERS THE MEDICAID PROGRAM. WE HAVE DONE THIS TO DETERMINE HOW EFFICIENTLY AND EFFECTIVELY THE CITY'S MEDICAID SYSTEM IS PERFORMING.

ONCE THE MEDICAID FRAUD CONTROL UNIT IS OPERATIONAL, THE MAA WILL ASSIST US UNDER A MEMORANDUM OF UNDERSTANDING, IN A

JOINT EFFORT TO PREVENT, DETECT, INVESTIGATE AND PROSECUTE FRAUD IN THE MEDICAID PROGRAM.

CONCLUSION

ALTHOUGH I AM VERY PROUD OF THE PROGRESS MADE BY THIS OFFICE DURING THE LAST YEAR AND A HALF, I BELIEVE THAT OUR CONTRIBUTION TO THE RESURGENCE OF THIS CITY COULD HAVE BEEN EVEN GREATER WITH ADDITIONAL HUMAN RESOURCES. IT IS FRUSTRATING TO KNOW THAT WE HAVE THE ABILITY TO ACHIEVE AUDIT SAVINGS OF \$12 DOLLARS FOR EVERY ONE DOLLAR SPENT, BUT THOSE SAVINGS MUST BE LIMITED BECAUSE WE SIMPLY HAVE TOO FEW AUDITORS. SIMILARLY, IT IS UNFORTUNATE THAT OUR INSPECTION PROCESS, WHICH SO EFFECTIVELY ILLUMINATED SYSTEMIC DIFFICULTIES AT DMV, CANNOT IMMEDIATELY ADDRESS SIMILAR DIFFICULTIES THAT WE SUSPECT EXIST IN MANY OTHER AGENCIES. BECAUSE I BELIEVE THAT FUNDING DEDICATED TO OUR OFFICE BRINGS A MULTIPLICITY OF BENEFITS TO THIS CITY, I PLAN TO ASK THIS COUNCIL FOR ADDITIONAL RESOURCES FOR THE AUDIT, INSPECTIONS, AND INVESTIGATIONS DIVISIONS WHEN I RETURN TO TESTIFY AGAIN NEXT MONTH.

BEFORE CLOSING, I WOULD LIKE TO THANK THE CHAIRMAN AND COUNCIL MEMBER CATANIA FOR INTRODUCING AND SUPPORTING THE LEGISLATION ENACTED BY THE COUNCIL LAST YEAR THAT I ALLUDED TO EARLIER TODAY. THIS LEGISLATION NOT ONLY CODIFIES OUR MISSION STATEMENT, IT ALSO SETS PERFORMANCE STANDARDS FOR OUR OFFICE,

CLARIFIES OUR ABILITY TO GAIN ACCESS TO EVIDENCE, ENABLES US TO PROTECT CONFIDENTIAL SOURCES, AND CLARIFIES THE SCOPE OF OUR JURISDICTION. I AM CONFIDENT THAT THIS LEGISLATION WILL ENSURE THE PROFESSIONALISM AND INDEPENDENCE OF THIS OFFICE NOW AND IN THE YEARS AHEAD.

AT THIS TIME, I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Office of the Inspector General

Performance Report

Mission Statement

The mission of the Office of Inspector General (OIG) is to independently :

- (1) Conduct and supervise audits, investigations, and inspections relating to the programs and operations of District government departments and agencies, including independent agencies;
- (2) Provide leadership, and to coordinate and recommend policies designed to promote economy, efficiency, and effectiveness, and to prevent and detect corruption, mismanagement, waste, fraud, and abuse in District programs and operations; and
- (3) Provide a means of keeping the Mayor, Council, and District government departments and agency heads fully and currently informed about problems and deficiencies relating to the administration of these programs and operations and the necessity for corrective actions.

Performance Measures	FY 1998 Actual	FY 1999 Target	FY 1999 Actual	FY 2000 Target
Fiscal and management audit reports of District programs and operations (conducted by OIG). Manager-John Balakos AIG-Audits	23	25	28	28
External Audits (Contractors) Balakos	61	65	103	67
Ongoing Audits Balakos	13	15	17	19
Investigative Matters Addressed Manager-David Bowie AIG-Investigations	321	340	670	680
Investigations Closed * Bowie	98	120	214	225
Inquiries received on OIG Hotline Bowie	130	164	358	375
Savings due to audits (millions) Balakos	\$12.4	\$30	\$28.4	\$35
Inspections ** Manager-Alvin Wright AIG-Inspections & Evaluations	---	---	---	4
Management Reports *** Balakos, Bowie, Wright	---	---	4	15

*In order to make this performance measure more meaningful, the statistics in this category have been reconfigured to reflect only the closing of cases in which a significant amount of investigation has been conducted by OIG Special Agents. Previously, the category included not only completed investigations, but also referrals to other agencies and administrative closures of *de minimus* matters. Thus, this Performance Measure, as submitted last November in our Year-end Performance Analysis to the City Administrator included the following: (1) investigations closed – 214; (2) referred cases closed – 51; (3) administrative, or “zero file,” closures - 334

** The Inspections and Evaluations division was established in May 1999.

***The use of these reports – the Management Alert Report (MAR), the Management Implication Report (MIR), and the Fraud Alert Report (FAR) – was instituted by the OIG during fiscal year 1999 to communicate deficiencies and recommendations to agency heads.